



COMPTROLLER

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WASHINGTON, DC 20301-1100

JAN 8 2003

Ms. Monica R. Valentine
Project Director
Federal Accounting Standards
Advisory Board
441 G Street, NW, Room 6E45
Washington, DC 20548

Dear Ms. Valentine:

Enclosed is the Department of Defense (DoD) response to the Inter-Entity Real Property Costs Survey.

The Department is currently developing a DoD-wide Financial Management Enterprise Architecture that will lead to the acquisition and deployment of modern, integrated real property and financial management information systems capable of readily responding to such surveys in the future. Unfortunately, the Department's current real property and financial management systems do not have the information necessary to respond to the survey. To completely answer the survey questions, it would have been necessary to conduct a data call involving each Military Department and Defense Agency and each installation or military base located worldwide, where the necessary information is maintained. Such an undertaking would have been extremely labor intensive and time consuming with no assurance of its accuracy. Therefore, such a data call was not conducted. Rather, my office contacted knowledgeable real property subject matter experts from each Military Department, and their input is included in the DoD responses to the survey questions.

My point of contact for this matter is Mr. Tom Waddell. He may be reached either by e-mail: tom.waddell@osd.mil or by telephone at (703) 604-6350 x125.

A handwritten signature in cursive script, reading "JoAnn Boutelle".

JoAnn Boutelle
Deputy Chief Financial Officer

Enclosure

**DEPARTMENT OF DEFENSE
RESPONSE TO
INTER-ENTITY REAL PROPERTY COSTS QUESTIONNAIRE**

Question I (A): Which federal agency (or agencies) receives the use of real property?

DoD Response: Many federal agencies use DoD real property; however, it is not possible to provide a complete listing of each federal agency without conducting a labor intensive and time consuming manual data call, because such information is not recorded in all DoD real property management systems. Examples of other federal agency use of DoD real property include the Federal Bureau of Investigation facility located at the Marine Corps installation in Quantico, VA, and the General Services Administration use of warehouses at a Navy installation in San Diego.

Question I (B): Is your entity able to measure the full cost of the use of the real property in accordance with the full cost standard in SFFAS No. 4? If yes, please provide the full costs of those uses. If not, please explain why not?

DoD Response: No. The Department does not have real property or financial systems that measure and capture full cost information in accordance with SFFAS No. 4. The DoD is presently developing a Financial Management Enterprise Architecture that will lead to the acquisition of real property and financial systems that will provide the ability to comply with the full cost provisions of SFFAS No. 4.

Question I (C): Is a part of the costs reimbursed by the receiving entities? Is so, what percentage of the full cost is reimbursed? (Please note, the questionnaire excludes inter-entity costs that are fully reimbursed.)

DoD Response: Generally, the Department only requires other federal agencies to reimburse DoD for sustainment costs (e.g., utilities, maintenance and renovations) and does not require reimbursement for the use of real property (e.g., rent).

Question I (D): What is the estimated amount that is not reimbursed?

DoD Response: DoD real property and financial systems do not capture this information. Accordingly, a labor intensive data call would be required to furnish this information and such a data call was not conducted.

Question I (E): Does your entity receive any non-monetary compensation (such as a reciprocal service) from any of the receiving entities for the use of the real property that is not reimbursed? If so, please explain the type of compensation.

DoD Response: DoD real property and financial systems do not capture this information. Accordingly, a labor intensive data call would be required to furnish this information and such a data call was not conducted.

Question I (F): If more than one entity receives the use of the real property, would your entity be able to assign the non-reimbursed real property costs among the receiving entities? If so, what would be the assignment (or allocation) basis? If your entity would not be able to assign the costs, please explain why not.

DoD Response: Yes. If more than one entity receives the use of real property, the DoD would be able to allocate nonreimbursed real property costs based on the square footage of space used and the cost and depreciation of the real property. Such information is generally maintained in DoD real property management systems.

Question I (G): Does your entity anticipate continuing to provide the use of the real property in future years?

DoD Response: Yes.

Question I (H): Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

DoD Response: Yes. The DoD believes that such costs meet the interentity cost recognition criteria of SFFAS No. 4, when such costs are material to the entity.

Question II (A): Which federal agency (or agencies) provides the use of the real property?

DoD Response: As indicated above to previous questions, DoD real property and financial systems do not readily contain the information necessary to respond to this question. Nevertheless, the DoD does use other federal agency's real property, but such use is insignificant in relation to the vast DoD worldwide holdings of real property. An example of DoD use of other federal agency real property is the use Department of State real property by the Marine Corps that provide security at U.S. embassies worldwide and live on embassy compounds.

Question II (B): Does your entity (a) reimburse a part of the real property costs, or (b) receive the use of the real property without any reimbursement? (Please note the questionnaire excludes inter-entity costs that fully reimbursed.)

DoD Response: Generally, the DoD does not reimburse other federal agencies for the use of real property other than the sustainment costs for such property.

Question II (C): What is the reimbursed amount for each real property cost and can you estimate the amount of the cost that is not reimbursed? If so, what is the amount? If not, would this information be available from the providing entity?

DoD Response: This information is not available in DoD real property and financial management systems and would require an extensive data call.

Question II (D): Does your entity give the providing entity any non-monetary compensation (such as a reciprocal service) for the non-reimbursed real property costs? If so, please explain the type of compensation.

DoD Response: Nonmonetary compensation is provided, as in the case of Marine Corps security at U.S. embassies for the State Department, but the use and reimbursement arrangements varies for each federal agency and the real property utilized and such information is not readily available without the use of a data call.

Question II (E): Are the estimated real property costs significant to your entity? (Or are the real property costs large enough that management should be aware of cost when making decisions? See SFFAS No. 4, par. 112.)

DoD Response: The costs for the use of other federal entity real property are insignificant, when compared to the total real property usage and holdings of the Department.

Question II (F): Is the use of the real property an integral or necessary part of your entity's output? (See SFFAS No. 4, par. 112.)

DoD Response: Yes. DoD owns and maintains vast amounts of worldwide real property, which are critical to the performance of the DoD mission (or outputs).

Question II (G): Do you believe these real property costs meet the inter-entity cost recognition criteria? (See paragraphs 111 through 113, SFFAS No. 4) Please provide reasons for your reply.

DoD Response: As indicated above to a previous question, the DoD believes real property costs meet the interentity recognition criteria of SFFAS No. 4; however, such costs are immaterial to the Department.

Question III. General Question: Please detail any other factors specific to inter-entity real property costs that should be considered.

DoD Response: None.